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Message Text

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ACTION EB-07

INFO OCT-01 AF-06 EUR-12 ISO-00 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05 L-02 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01

/097 W
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R 280830Z APR 75
FM AMEMBASSY TANANARIVE
TO SECSTATE WASHDC 7208
INFO USEC BRUSSELS 0060

C O N F I D E N T I A L TANANARIVE 0781

E.O. 11652: GDS
TAGS: ETRD, EEC, ACP, MA, US
SUBJECT: MADAGASCAR AND REVERSE TRADE PREFERENCES

REF: A. TANANARIVE 0576; B. STATE 55671; C. STATE 32864

SUMMARY: MALAGASY MINISTER OF ECONOMY AND COMMERCE INFORMED AMBASSADOR APRIL 25 THAT MADAGASCAR PLANS TO RATIFY CONVENTION OF LOME AND IS CONSIDERING POSSIBILITY OF PHASED REDUCTION OF PREFERENTIAL TARIFFS GRANTED TO EEC COUNTRIES, STARTING WITHIN NEXT FEW MONTHS. HE REPORTED THAT SINCE EEC REPRESENTATIVES AT LOME NEGOTIATIONS EXERTED PRESSURE ON ACPS NOT TO REDUCE TARIFF PREFERENCES "TOO ABRUPTLY," EVEN AFTER RATIFICATION OF LOME CONVENTION, MADAGASCAR IS THINKING OF POSSIBILITY OF REDUCING PREFERENCES IN PHASES, STRETCHED OVER 2-3 YEARS, TO AVOID OFFENDING EC. ECONOMY MINISTER ASKED WHETHER PHASED REDUCTION OF PREFERENCES WOULD SATISY REQUIREMENTS OF TRADE ACT OF 1974. REQUEST GUIDANCE. END SUMMARY.

1. DURING CALL APRIL 25 ON NEW MALAGASY MINISTER OF ECONOMY AND COMMERCE WILLY LEONARD (A LEADER GRANT VISITOR TO THE CONFIDENTIAL

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U.S. IN 1974) AMBASSADOR RAISED SUBJECT OF GENERALIZED PREFERENCES UNDER TRADE ACT AND ASKED WHEN GOMR PLANNED TO ELIMINATE REVERSE TARIFF PREFERENCES GRANTED TO EC, AS PERMITTED BY LOME CONVENTION.

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2. MINISTER QUICKLY REPLIED HE FAVORS EARLIEST POSSIBLE ELIMINATION OF TARIFF PREFERENCES, BOTH TO GIVE BADLY-NEEDED BOOST TO TREASURY'S CUSTOMS RECEIPTS AND TO ALLOW MADAGASCAR TO BUY FOREIGN GOODS ON MOST ADVANTAGEOUS TERMS POSSIBLE. HOWEVER, FROM REPORTS TO MALAGASY NEGOTIATORS AT LOME HE SAID IT CLEAR TO GOMR THAT EC DOES NOT WISH PREFERENTIAL TARIFFS REDUCED TOO ABRUPTLY, EVEN THOUGH LOME CONVENTION PERMITS THEIR COMPLETE ELIMINATION. HE REPORTED MALAGASY NEGOTIATORS WERE ASKED BY EC NOT TO REDUCE TARIFFS "TOO BRUTALLY" TO AVOID "SHOCK" TO TRADITIONAL TRADING PARTNERS. INFERENCE TO MALAGASY WAS CLEARLY THAT EC WOULD BE OFFENDED BY SWIFT ELIMINATION OF REVERSE PREFERENCES BY ACPS AND MIGHT BE LESS FORTHCOMING WITH AID TO ANY ACP COUNTRY WHICH ABOLISHED PREFERENCES FOR EC TOO QUICKLY.

3. TO AVOID ANTAGONIZING EC, GOMR IS NOW CONSIDERING REDUCTION OF PREFERENCES IN PHASES, STRETCHED OVER 2-3 YEARS. MINISTER INDICATED HE FAVORED ELIMINATION IN TWO YEARS. PRESUMABLY OTHERS IN GOVERNMENT FAVOR LONGER PERIOD, PERHAPS THREE YEARS. IN ANY EVENT HE REPORTED GOMR NOW PLANS TO RATIFY LOME CONVENTION PROMPTLY, PERHAPS EARLY AS JUNE, AND MAY IMPLEMENT FIRST PHASED REDUCTIONS OF PREFERENTIAL TARIFFS BEGINNING JULY 1.

4. MINISTER THEN ASKED WHETHER PHASED REDUCTION OF PREFERENTAIAL TARIFFS, STRETCHED OVER 2-3 YEARS, WOULD SATISFY REQUIREMENTS OF TRADE ACT OF 1974. AMBASSADOR PROMISED TO PASS INQUIRY TO APPROPRIATE AUTHORITIES OF USG IN WASHINGTOM.

5. ACTION REQUESTED: REQUEST REPLY TO ECONOMY MINISTER'S INQUIRY REPORTED PARA 4 ASAP. IT WOULD ALSO BE INTERESTING TO KNOW WHETHER DEPARTMENT HAS RECEIVED OTHER REPORTS OF PRESSURE EXERTED BY EC ON ACP COUNTRIES NOT TO REDUCE OR ELIMINATE REVERSE PREFERENCES QUICKLY. HOWEVER EC MAY HAVE POSED ITS REPRESENTATIONS TO ACP'S ON QUESTION, MALAGASY SEEM TO HAVE INTERPRETED THEM AS VEILED THREAT OF RETALIATORY CONFIDENTIAL

ACTION BY EC IF MADAGASCAR SHOULD ELIMINATE REVERSE PREFERENCES "TOO QUICKLY," EVEN THOUGH PERMITTED BY LOME CONVENTION.
MENDENHALL

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